

Message Text

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 1304

C O N F I D E N T I A L BUCHAREST 0011

E.O. 11652: GDS

TAGS: EEWT, RO

SUBJ: COMPARISON OF TRADE AGREEMENT DRAFTS, DECEMBER 27:
BUSINESS FACILITATION

REF: (A) BUCHAREST 5897 (B) BUCHAREST 5857 (C) BUCHAREST 5816

1. SUMMARY: AT DECEMBER 27 DISCUSSION, WE REPEATED OUR HOPE THAT TRADE AGREEMENT MIGHT PROVIDE OPPORTUNITY TO CREATE MORE BALANCED OPPORTUNITIES IN FIELD OF BUSINESS FACILITATION. WE NOTED CONCERN HANDLING OF MAUSCHITZ CASE HAD AROUSED IN U.S., AND EXCHANGED VIEWS ON COMMERCIAL FEES AND CHARGES, HOUSING AND OFFICE SPACE, AND EMPLOYMENT PRACTICES. END SUMMARY.

2. CONTINUING THE MEETING WITH DUMITRESCU AND BALTAZAR ON DEC. 27 (REFTEL A) WE OPENED DISCUSSION ON BUSINESS FACILITATION (ARTICLE IV AND ANNEX 2 OF OUR DRAFT) BY EXPRESSING HOPE THAT TRADE AGREEMENT MIGHT PROVIDE OCCASION FOR SOME MODIFICATION OR AT LEAST MORE FAVORABLE INTERPRETATION OF EXISTING ROMANIAN LAWS GOVERNING CONDITIONS UNDER WHICH FOREIGN BUSINESSMEN MUST OPERATE IN ROMANIA. U.S. MARKET ALLOWS FOREIGN BUSINESSMEN RELATIVE FREEDOM OF MANEUVER, WE NOTED, BUT IN ROMANIAN CONTEXT OF STATE OWNERSHIP, ACTIVE GOV ASSISTANCE IS NECESSARY FOR SUCCESSFUL COMMERCIAL ACTIVITY. WE HOPED THIS DIFFERENCE

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WOULD BE KEPT IN MIND IN ARRIVING AT A BALANCE OF BUSINESS

OPPORTUNITIES, WHICH IS WHAT U.S. CONGRESS WOULD BE LOOKING FOR.

3. WE MENTIONED ARREST OF AUSTRIAN COMMERCIAL REPRESENTATIVE MAUSCHITZ (SEE SEPTELS) AS EXAMPLE OF A PROBLEM THAT, ALTHOUGH NOT FALLING UNDER PROVISIONS OF TRADE AGREEMENT, CAUSED US CONCERN ABOUT BUSINESSMEN'S ABILITY TO WORK IN ROMANIA, ESPECIALLY SINCE FIRM WHICH MAUSCHITZ REPRESENTS IS OWNED BY U.S. COMPANY GENERAL REFRACTORIES. WE WERE ESPECIALLY DISTURBED THAT SPECIFIC CHARGES WERE NOT ANNOUNCED AND THAT IT WAS STILL NOT CLEAR WHAT ROMANIAN LAWS HE HAD VIOLATED. WE NOTED THAT WE FOUND IT DIFFICULT TO BRIEF US BUSINESSMEN ON HOW TO AVOID SIMILAR VIOLATIONS. DUMITRESCU TOOK IN OUR POINTS AND WAS AT PAINS TO STRESS THAT MAUSCHITZ CASE WAS EXCEPTIONAL OCCURRENCE AND SHOULD NOT BE ALLOWED TO DISRUPT COMMERCIAL RELATIONS. HE COULD NOT RESPOND ON DETAILS OF CASE, HOWEVER, SAYING THESE FELL UNDER JURISDICTION OF INTERIOR MINISTRY. TO HIS AMAZEMENT THAT THE CASE OF "ONE MAN OUT OF THOUSANDS" OF BUSINESSMEN COULD CAUSE SUCH CONCERN, WE NOTED THAT WASHINGTON WOULD BE LIKELY TO REMAIN SENSITIVE TO THE CONCERNS OF US COMPANIES ENGAGED IN EAST-WEST TRADE.

4. RENTS, FEES AND CHARGES (PARA 4, ANNEX 2). WE REITERATED OUR DESIRE THAT THE TRADE AGREEMENT REFLECT OUR BELIEF THAT UNREASONABLY HIGH FEES AND CHARGES CAN ACT AS AN EFFECTIVE DETERRENT TO COMMERCE. DUMITRESCU REPLIED THAT ROMANIAN FEES WERE SET AFTER A SURVEY OF FEES CHARGED IN OTHER COUNTRIES AND IN GENERAL ARE COMPARABLE TO COSTS IN MARKET ECONOMIES OF WESTERN EUROPE. HE MAINTAINED THAT ONE REASON FOR DECISION TO SUSPEND OPERATIONS OF ROMANDA, ROMANIAN COMMERCIAL ENTERPRISE IN NEW YORK, WAS THAT HIGH COSTS THERE, INCLUDING FEES AND TAXES, EXCEEDED INCOME. HE SAID THAT ROMANIA HAD NO DESIRE TO SET PROHIBITIVE FEES, BUT COMMENTED THAT IT WAS NOT ROMANIA'S INTENTION TO ENABLE ABSOLUTELY ANYONE WHO WISHED TO SET UP A COMMERCIAL OFFICE IN BUCHAREST. ROMANIANS NOTED THAT THEIR EXPERIENCE WITH FOREIGN REPRESENTATIVE OFFICES WAS "POSITIVE:" THERE ARE 126 FIRMS IN BUCHAREST, INCLUDING THOSE REPRESENTED BY ROMANIAN AGENCY ARGUS.

5. HOUSING AND OFFICE SPACE (PARA 5, ANNEX 2). WE MENTIONED SEVERAL EXAMPLES OF AMERICAN BUSINESSMEN, INCLUDING THOSE WITH CONFIDENTIAL

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FAMILIES IN ROMANIA, WHO HAD BEEN FORCED TO LIVE IN HOTELS FOR EXTENDED PERIODS BECAUSE OF LACK OF OTHER LODGINGS. DUMITRESCU SAID GOR IS MAKING ALL-OUT EFFORT TO PROVIDE "APPROPRIATE" OFFICE SPACE AND LODGINGS FOR FOREIGN BUSINESSMEN, BETTER THAN THAT OFFERED TO ROMANIANS, BUT HOUSING IS IN SHORT SUPPLY. HE SAID BALANCE MUST BE STRUCK BETWEEN RENTS CHARGED IN U.S. AND ROMANIA, GIVEN DIFFERENCE IN APPROACH TO PROPERTY. INDIVIDUALS IN ROMANIA WOULD NO LONGER BE PERMITTED TO RENT ROOMS OR APART-

MENTS TO FOREIGNERS AFTER MARCH 6 BECAUSE THIS TOOK UNFAIR ADVANTAGE OF LOW-RENT GOVERNMENT-PROVIDED HOUSING. HOUSING AND OFFICE SPACE WOULD BE PROVIDED THROUGH GOR AGENCY AND RENTS LIKEWISE WOULD BE FIXED. BALTAGAR SAID IT WOULD NOT BE APPROPRIATE TO TREAT EVERY RENTAL CONTRACT AS AN INTER-GOVERNMENTAL ISSUE UNDER THE AGREEMENT. WE REPLIED THAT WE HOPED NOT TO, BUT THAT WE NEEDED THEIR "GOOD OFFICES" SINCE IT WAS THEIR HOUSING.

6. SALARIES AND HIRING (PARA 9, ANNEX 2). WE OUTLINED BENEFITS WE BELIEVE A COMPANY CAN DERIVE FROM ABILITY TO DIRECTLY HIRE ITS FOREIGN EMPLOYEES AND ADJUST THEIR SALARIES IN ACCORDANCE WITH PERFORMANCE. WE HOPED SOME COMPROMISE COULD BE FOUND IN THIS AREA BETWEEN ROMANIAN APPROACH AND OURS. DUMITRESCU SAID HE COULD NOT COMMENT BUT TOOK NOTE OF OUR POINTS.

7. VISAS (PARA 10, ANNEX 2). WE SAID THE QUESTION OF US VISA PRIVILEGES FOR ALL TYPES OF VISITORS WAS UNDER REVIEW IN WASHINGTON AND HOPED TO HAVE FURTHER INFORMATION ON WHAT THE US COULD OFFER TOWARD MID-JANUARY.
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